

Message Text

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21

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 IO-13 EB-07 COME-00 TRSE-00

AID-05 CIAE-00 INR-07 NSAE-00 DODE-00 /055 W

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R 071431Z MAY 76

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 8544

INFO AMEMBASSY NEW DELHI

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EO 11652: NA

TAGS: UNIDO, EIND, EMIN, EQUIP, EINV

SUBJECT: OPPORTUNITY FOR ALLIS-CHALMERS IN INDIAN SPONGE IRON
DEVELOPMENT

1. INDIAN GOVT., USING ADVISORY SERVICES OF AMCIT UNIDO
CONSULTANT DAVID W. REANEY, IS ACTIVELY PLANNING
DEVELOPMENT OF SPONGE IRON PRODUCTION NETWORK FOR NATIONAL
STEEL INDUSTRY. INITIAL PROJECT IS INTENDED FOR INSTALLATION
AT HYDERABAD, WHERE REANEY IN RESIDENCE.

2. IN RECENT VISIT VIENNA, REANEY BRIEFED US MISSION UNIDO
ON STATUS OF PROJECT. INDIAN GOVT. PRESENTLY CONSIDERING
BIDS FROM ALLIS-CHALMERS (US) AND LURGI (FRG) FOR CONSTRUCTION
OF PLANT WITH INITIAL ANNUAL CAPACITY OF 30,000 MT
CAPABLE OF BEING EXPANDED TO 100,000 MT. THIS BUILT-IN
EXPANSION FACTOR IS APPARENTLY A NEW ELEMENT
IN THE PROJECT COMPARED WITH PLANS WHICH EXISTED IN
DECEMBER 1974. ACCORDING TO REANEY, LURGI BID IS SLIGHTLY
BELOW ALLIS-CHALMERS' AT 30,000 MT ANNUAL RATE, BUT
ALLIS-CHALMERS PRESENTS FAR BETTER FIGURES THAN
LURGI AT 100,000 MT RATE. REANEY NOTED THAT ALLIS-
CHALMERS ALSO HAS REACHED TECHNOLOGY EDGE OVER LURGI, WHOSE
INSTALLATIONS HAVE EXPERIENCED DIFFICULTY IN REACHING
RATED CAPACITIES AT PREDICTED COST. UNIDO STAFFER
BAL NIJHAWAN (INDIA), WHO IS UNIDO HEADQUARTERS
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MANAGER FOR SPONGE IRON PROJECT, HAS INFORMED

MISSION THAT HE HAS WRITTEN TO INDIAN GOVT. STRONGLY
RECOMMENDING ACCEPTANCE OF ALLIS-CHALMERS BID.

3. REANEY STATES THAT INDIAN PROGRAM CALLS FOR CONSTRUCTION

OF FIVE ADDITIONAL SPONGE IRON PLANTS BEYOND THAT
REFERRED TO ABOVE; IF ALLIS-CHALMERS BID ACCEPTED AND
INITIAL PLANT TURNS OUT WELL, THAT FIRM WILL THEREFORE BE
IN STRONG POSITION TO CAPTURE FURTHER BUSINESS OF MAJOR
PROPORTIONS. SERIOUS COMPLICATION HAS, HOWEVER, ARISEN
IN CONNECTION WITH FINANCING OF INITIAL PROJECT DUE TO
UNDP FINANCIAL DIFFICULTIES; ACCORDING REANEY AND NIJHAWAN,
UNDP HAS SIGNED PROJECT DOCUMENT COMMITTING \$1.5 MILLION
TO PROJECT AND THEY HAVE SOME EXPECTATION THAT A FURTHER
\$3.1 MILLION WILL BE FORTHCOMING FROM UNDP IN FUTURE;
THIS LEAVES ESTIMATED BALANCE OF SOME \$4 MILLION TO BE
FUNDED FROM OTHER EXTERNAL SOURCES IF PROJECT AS PRESENTLY
CONTEMPLATED IS TO BE CARRIED OUT.

4. REANEY DEPARTED VIENNA FOR NEW DELHI MAY 1 TO
TAKE PART IN INDIAN GOVT. REVIEW OF PROJECT, WHICH
HE HOPED WOULD RESULT IN AT LEAST INITIAL DECISION
TO ACCEPT ALLIS-CHALMERS' BID. AFTER CONTACTING
EMBASSY NEW DELHI TO INFORM IT OF OUTCOME OF REVIEW,
HE INTENDED TO TRAVEL TO UNDP NEW YORK AND TO
WASHINGTON TO EXAMINE POSSIBLE WAYS OF MEETING PROBLEM
OF FINANCE. CONTACTS IN DEPARTMENT WILL BE BRAMANTE,
EB/IFD/OSB, AND FIGGINS, IO/CMD.

5. MISSION BELIEVES THAT INDIAN SPONGE IRON PROJECT
OFFERS MAJOR OPPORTUNITY FOR US BUSINESS AND RECOMMENDS
THAT DEPARTMENT, IN ADVANCE OF REANEY'S ARRIVAL,
BEGIN CONSIDERATION OF POSSIBLE SOURCES OF FUNDING FOR
PROJECT, SUCH AS, FOR EXAMPLE, EXIM CREDITS. DEPT.
MAY ALSO WISH CONTACT ALLIS-CHALMERS (MR. ROBERT LE ROY)

FOR FURTHER INFO.

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6. WOULD APPRECIATE ANY UP-TO-DATE INFORMATION STATUS
OF PROJECT WHICH MAY BE AVAILABLE TO EMB NEW DELHI.
STIBRAVY

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